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U.S. House of Representatives
Committee on Commerce
Room 2125, Rayburn House Office Building
Washington, DC 20515-6115

Statement of the Honorable Michael G. Oxley
Chairman, Subcommittee on Finance and Hazardous Materials
Before the
Subcommittee on Finance and Hazardous Materials
Hearing on Financial Services Reform: "Consolidation in the Brokerage Industry"
May 14, 1997

Today we hold the second hearing on reforming the Depression-Era laws that govern financial services.

In the first hearing we heard from representatives of the securities, mutual fund, and insurance industries. They were united in three positions: (1) there should be a level regulatory playing field for industries involved in the same activity; (2) securities and mutual fund activities should be regulated by the SEC, insurance by state regulators, and banking by the bank regulators; and (3) the Federal Reserve should not become a comprehensive regulator of financial services activity. [We also had a lesson in Greek Mythology, from my good friend from Massachusetts, who compared efforts to repeal Glass-Steagall to the labors of Sisyphus.]

Today we will hear from a distinguished panel of witnesses on a related topic: consolidation in the brokerage industry. With recent changes made by the Federal Reserve and by the Comptroller of the Currency to regulations connected with Glass-Steagall, banks can now buy virtually any broker.

We wish to explore the implications of these developments: What does consolidation mean for the capital raising process? What concerns should the Congress have about who regulates different types of financial activity? And how should we maintain the entrepreneurial and risk taking spirit that has made our brokerage industry the best in the world?

I look forward to working with my friend, Ranking Member Tom Manton, and the other members of this Subcommittee, as well as Chairman Tom Bliley and Ranking Member John Dingell as we consider how best to bring about the much-needed reform of regulations governing our financial institutions.

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Chairman, Committee on Commerce
Before the
Subcommittee on Finance and Hazardous Materials
Hearing on Financial Services Reform: Consolidation in the Brokerage Industry
May 14, 1997

In 1935, just two years after the Glass-Steagall Act was signed into law, the first attempt to reform the law was launched by a gentleman from Virginia who was intimately familiar with the Act -- its co-author, Carter Glass. That attempt, of course, was not successful. But that does not mean it wasn't a good idea.

The need for reform of the laws that govern our nation's varied financial services remains an important issue facing financial service providers, investors, consumers, and this Committee. I commend Chairman Oxley for holding this series of hearings on this significant issue. I also commend ranking member Tom Manton, as well as my friend John Dingell, who has been a forceful proponent of functional regulation for many years.

In the first hearing before the Subcommittee we heard from Brokerage Firms, Mutual Funds and Insurance Companies. All said that they wanted a level regulatory playing field. That's good -- I've never heard anyone **say** that they wanted an unequal playing field. But of course everyone says he in favor of fair competition. with a fair advantage to himself.

It is for this reason that I am pleased that we have, over the years, worked on a bipartisan basis on the Commerce Committee. We have sought to have functional regulation -- a simple concept. If you are in the securities business. you are regulated by the SEC. If you **are** in the banking **business**, you are regulated by the bank regulators. And if you are in the insurance business, you are regulated by the insurance regulators.

What is good for the goose is good for the gander. If you want to be in a business, play under the rules for that business.

The topic today is consolidation in the brokerage industry. I am interested to learn what the panel thinks the appropriate regulatory scheme should be in a world in which banks are **affiliated** with brokers more and more.

Today we will hear from a distinguished group of witnesses: Mr. Cohen, Mr. Becker, Mr. Mayer and Mr. Breeden. It is my pleasure to welcome you back to the Committee.